SCS SB 620 -- JOB RETENTION PROGRAMS

SPONSOR: Loudon (Dempsey)

COMMITTEE ACTION: Voted "do pass" by the Committee on Job Creation and Economic Development by a vote of 19 to 0.

TAX CREDITS FOR BUSINESS-USE INCENTIVES FOR LARGE-SCALE DEVELOPMENT (BUILD)

This substitute:

(1) Limits the amount of BUILD tax credits to $11 million annually;

(2) Removes the $75 million limit on revenue bonds the Missouri Development Finance Board can sell;

(3) Defines “essential industry” as a targeted industry located in Hazelwood. The industry must meet certain criteria including having maintained at least 2,000 jobs in the four years prior to applying for tax credits, retain a certain level of employment, and invest a minimum of $500,000,000 by the end of the third year following the issuance of these tax credit certificates; and

(4) Allows existing jobs in an essential industry to be considered new jobs.

MOTOR VEHICLE BODY MANUFACTURING FACILITY IN HAZELWOOD

The substitute:

(1) Exempts from taxation 50% of Missouri taxable income attributed to an approved retained business facility in Hazelwood;

(2) Allows the following tax credits for the facility for 10 years:

(a) A $400 or $500 tax credit for each employee retained by the facility;

(b) A $400 tax credit for each year in which a retained employee lives in Hazelwood. This tax credit can be prorated for employees who have not lived in Hazelwood for a full year;

(c) An annual $400 tax credit for each retained employee who fits the criteria for “a person difficult to employ.” This tax credit can be prorated for employees who have not worked for the facility for a full year;

(d) A tax credit equal to 80% of the training expenses that are in excess of $400 per trainee, if the trainee is a resident of Hazelwood or is defined as “a person difficult to employ.” This tax credit cannot exceed $400 per trainee; and

(e) A tax credit equal to 10% of the first $10,000 of qualifying investment, a 5% tax credit on the next $90,000 of qualifying investment, and a 2% tax credit on all remaining qualifying investments;

(3) Allows a tax refund to be issued to the facility in Hazelwood, but only if the certified tax credits exceed the company’s total Missouri tax liability by at least $1 million. In this case, a portion of the tax credits earned will be considered an overpayment of taxes and may be refunded to the company. The maximum amount of the refund cannot exceed $2 million a year;

(4) Prohibits the facility from taking advantage of the tax exemption for new businesses in enterprise zones, tax credits for a new or expanded business facility in an enterprise zone, tax credits for training employees, tax credits for new or expanded business facilities, or the income tax refund for establishing a new business facility in an enterprise zone if it uses the tax exemption, tax credits, and tax refund in the substitute;

(5) Allows the facility to participate in the New Jobs Training Program; and

(6) Requires any contract entered into between the facility and the Department of Economic Development to include a requirement that the company maintain operations at the facility for at least 10 years at a particular employment level. The contract must also include provisions for repayment of incentives upon breach of contract.

TAX INCREMENT FINANCING

The substitute specifies how economic activity taxes and new state tax revenues will be calculated for a national headquarters that has moved from another state to Missouri.

The substitute contains an emergency clause.

FISCAL NOTE: Estimated Net Loss to the General Revenue Fund of $0 in FY 2004, $0 or Unknown Greater than $1,000,000 in FY 2005 and FY 2006.

PROPONENTS: Supporters say that without the bill as it passed the Senate there is no possibility that Ford will keep the plant in Hazelwood. If the plant closes, the effect will be felt statewide because the state will lose $25 million per year in tax revenue and 11,000 jobs. The bill gives the Department of Economic Development the best tools the state can offer for negotiating with Ford. If it does not pass, the state will have no ability to negotiate with Ford. The bill doesn’t cost anything if Ford decides to close the Hazelwood plant, and it requires that Ford make a $500 million capital investment before the state will contribute. The legislation is narrowly drawn so that it only applies to the Ford plant in Hazelwood. Therefore, there is no risk that another business will take advantage of these incentives.

Testifying for the bill were Senator Loudon; Representatives Abel and Spreng; Department of Economic Development; United Auto Workers–Local 325; St. Louis Community College; United Auto Workers-Missouri State CAP Counsel; Missouri AFL-CIO; and Ford Hazelwood Task Force.

OPPONENTS: There was no opposition voiced to the committee.

Alice Hurley, Legislative Analyst